

**HEARTLAND AREA EDUCATION AGENCY 11**

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Independent Auditor's Report  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings and Questioned Costs  
June 30, 2010

# HEARTLAND AREA EDUCATION AGENCY 11

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## HEARTLAND AREA EDUCATION AGENCY 11

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
Ann Wilson	President	2013
Earl Bridgewater	Vice President	2013
Jane Bell	Past President	2011
Bruce Christensen	Member	2013
Steve Rose	Member	2011
Nels Turnquist	Member	2011
Marcy Sparks	Member	2013
Cal Halliburton	Member	2011
Margaret Borgen	Member	2011
Agency:		
Dr. Sheila King	Interim Chief Administrator (July 2009 – March 2010)	
Dr. Paula Vincent	Chief Administrator (March 2010 –present)	
Jenny Ugolini	Board Secretary	
Terrill Wycoff	Treasurer	
David King	Director of Finance and Business	

### AREAS SERVED

Audubon County:	Carroll County (continued):
Audubon School District	Manning School District
Exira School District	St. Angela Center
Boone County:	St. Lawrence School
Boone School District	Dallas County:
Madrid School District	Adel-DeSoto-Minburn School District
Ogden School District	Assumption School
Sacred Heart School	Dallas Center-Grimes School District
Trinity Lutheran School	Perry School District
United School District	St. Patricks School
Carroll County:	Van Meter School District
Carroll School District	Waukee School District
Christ the King School	West Central Valley School District
Coon Rapids Bayard School District	Woodward-Granger School District
Glidden-Ralston School District	Guthrie County:
Holy Spirit School	Adair-Casey School District
Holy Trinity School	Guthrie Center School District
Kuemper School	Panorama School District
	West Central Valley School District

## HEARTLAND AREA EDUCATION AGENCY 11

### AREAS SERVED (CONTINUED)

#### Jasper County:

- Baxter School District
- Colfax-Mingo School District
- Lynnville-Sully School District
- Newton School District
- Newton Christian Day School
- PCM School District
- Sully Christian School

#### Madison County:

- Earlham School District
- Interstate 35 School District
- Winterset School District

#### Marion County:

- Knoxville School District
- Melcher-Dallas School District
- Pella School District
- Pella Christian Grade School
- Pella Christian High School
- Peoria Christian School
- Pleasantville School District
- Twin Cedars School District

#### Polk County:

- Ankeny School District
- Bondurant-Farrar School District
- Christ the King School
- Des Moines School District
- Des Moines Christian School
- Des Moines Jewish Academy
- Dowling High School
- Early Education Center
- Holy Family Schools
- Holy Trinity School

#### Polk County (continued):

- Iowa Christian Academy
- Johnston School District
- Mt. Olive Lutheran School
- New Life Christian School
- North Polk School District
- Sacred Heart School
- St. Anthony School
- St. Augustine School
- St. Francis of Assisi School
- St. Joseph Elementary School
- St. Pius X School
- St. Theresa School
- Saydel School District
- Southeast Polk School District
- Urbandale School District
- West Des Moines School District

#### Story County:

- Ames School District
- Ballard School District
- Collins-Maxwell School District
- Colo-Nesco School District
- Gilbert School District
- Nevada School District
- Roland-Story School District
- St. Cecelia School

#### Warren County:

- Carlisle School District
- Indianola School District
- Martensdale-St. Marys School District
- Norwalk School District
- Southeast Warren School District



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Heartland Area Education Agency 11

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heartland Area Education Agency 11 as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Heartland Area Education Agency 11, at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 26, 2011 on our consideration of Heartland Area Education Agency 11's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Schedule and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 10 and pages 27 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise Heartland Area Education Agency 11's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 26, 2011

*Pitman & Company, LLP*

## **HEARTLAND AREA EDUCATION AGENCY 11**

### **Management's Discussion and Analysis For the Year Ended June 30, 2010**

Heartland Area Education Agency 11 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

#### **2010 FINANCIAL HIGHLIGHTS**

- General Fund Revenues were \$96,357,278 and General Fund Expenditures were \$91,851,222 in FY2010. General Fund Other Financing Sources and Uses for FY2010 were a net use of \$1,638,663. Revenues less Expenditures and Other Uses resulted in a net operating gain of \$2,867,393. The Agency's General Fund fund balance increased from \$6,402,455 in FY2009 to \$9,269,848 in FY2010.
- The Agency's special education support services State revenue was reduced a total of \$3,240,434 for FY2010. The State legislature reduced funding by \$346,396. In October 2009 the Governor announced an additional 10% across-the-board funding reduction of \$2,894,038.
- The Agency reduced its outstanding long term debt on two lease purchase agreements with First National Bank of Ames. The lease purchase agreement for the Adel office facility was completely paid off and the lease purchase agreement for the administrative service center in Johnston was reduced by \$555,000.
- The Agency received approximately \$22.7 million in American Recovery and Reinvestment Act (ARRA) IDEA Part B Federal funds. The Agency provided \$14.7 million to the public school districts located in Area 11 to support their special education programs. The remaining balance of \$8 million supported the agency state funding reduction, special education services, and some onetime expenditures. The Agency also received ARRA funds of \$515,000 of IDEA Part B Section 619 funds and \$177,000 of IDEA Part C funds to support special education services.
- The Agency implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets during the year ended June 30, 2010. Implementation of GASB No. 51 required a prior period adjustment to Net Assets for \$619,623, the estimated value of the Agency's intangible assets on July 30, 2009.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the Agency's operations in more detail than the Government-Wide Statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year to actual expenditures, and Other Supplementary Information provides detailed information about expenditures by function and federal awards.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

**REPORTING THE AGENCY AS A WHOLE**

The Statement of Net Assets and the Statement of Activities

The Government-Wide Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are indicators of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's student population base and the condition of its facilities need to be considered.
- The Government-Wide Financial Statements include the Agency's basic services, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts fees, property taxes, state aid and federal grants finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as Juvenile Home funding.

The Agency's Governmental Funds include 1) the General Fund, 2) the Special Revenue Funds, 3) the Capital Projects Fund, and 4) the Debt Service Fund. Governmental Funds account for all of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, additional information at the bottom of the Governmental Fund Statements explains the relationship or differences between the two statements.

The Governmental Funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. A summary reconciliation between the Government-Wide Financial Statements and the Fund Financial Statements follows the Fund Financial Statements.

**HEARTLAND AREA EDUCATION AGENCY 11**

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, Net Assets may serve over time as a useful indicator of financial position. Area Education Agency 11's Net Assets at the end of FY2010 totaled approximately \$17.6 million. The analysis that follows provides a summary of the Agency's Net Assets at June 30, 2010 for the Governmental Activities as compared to Net Assets at June 30, 2009. The Agency does not have Business-Type Activities, therefore the total is only composed of the Governmental Funds.

**Condensed Statement of Net Assets**

	FY2010	FY2009	% Change
Current and other assets	\$ 19,272,002	\$ 16,785,247	15%
Capital assets	9,148,846	8,532,018	7%
Total Assets	\$ 28,420,848	\$ 25,317,265	12%
Long-term obligations	\$ 787,000	\$ 2,106,000	(63%)
Other liabilities	10,002,154	10,382,792	(4%)
Total Liabilities	\$ 10,789,154	\$ 12,488,792	(14%)
Net Assets:			
Invested in capital assets, net of related debt	\$ 8,423,846	\$ 6,457,018	30%
Restricted	1,308,722	1,103,158	19%
Unrestricted	7,899,126	5,268,297	50%
Total Net Assets	\$ 17,631,694	\$ 12,828,473	37%

The Agency's combined Net Assets increased by approximately \$4.8 million in FY2010. The change occurred primarily as a result of operational activity creating excess revenue over expenditures, and from the prepayment of long-term debt, which decreased long-term liabilities and increased the investment in capital assets.

**HEARTLAND AREA EDUCATION AGENCY 11**

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The following analysis shows the changes in Net Assets for the year ended June 30, 2010 as compared to June 30, 2009. The Agency does not have Business-Type Activities, therefore the total is composed of the Governmental Funds.

<b>Changes in Net Assets</b>			
	<b>FY2010</b>	<b>FY2009</b>	<b>% Change</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 1,803,645	\$ 1,721,890	5%
Operating grants and contributions	54,860,653	35,522,257	54%
<b>General Revenues:</b>			
Property tax	19,345,979	18,543,818	4%
State Aid	22,572,522	24,153,753	(7%)
Unrestricted investment earnings	44,588	95,097	(53%)
<b>Total Revenues</b>	<b>\$ 98,627,387</b>	<b>\$ 81,036,815</b>	<b>22%</b>
<b>Program Expenses:</b>			
Instruction	\$ 6,213,972	\$ 3,798,042	64%
Student support services	28,156,216	27,263,424	3%
Instructional staff support services	22,253,340	22,351,776	0%
General administration	4,348,260	4,530,481	(4%)
Regional administration	3,647,746	3,619,656	1%
Business administration	1,012,083	984,004	3%
Central and other support services	3,866,021	3,964,488	(2%)
Printing, delivery, and coop services	1,389,549	993,437	40%
Coop purchasing cost of goods sold	-0-	108,639	(100%)
Plant operations and maintenance	1,530,495	1,787,875	(14%)
Student transportation	2,657	1,836	45%
Community services operations	222,035	194,715	14%
LEA Part B flow-through	21,364,943	10,323,433	107%
Depreciation-unallocated	154,944	144,849	7%
Long-term debt interest	89,819	111,584	(20%)
Facilities acquisition	191,709	179,108	7%
<b>Total Expenses</b>	<b>\$ 94,443,789</b>	<b>\$ 80,357,347</b>	<b>18%</b>
<b>Increase in Net assets</b>	<b>\$ 4,183,598</b>	<b>\$ 679,468</b>	<b>516%</b>
Net Assets-Beginning	12,828,473	12,149,005	6%
Prior Period Adjustment (GASB 51)	619,623	-0-	
Restated Beginning Net Assets	13,448,096	12,149,005	11%
<b>Net Assets-Ending</b>	<b>\$ 17,012,071</b>	<b>\$ 12,828,473</b>	<b>33%</b>

**HEARTLAND AREA EDUCATION AGENCY 11**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The State foundation aid funding formula, consisting of State aid and Property taxes, accounts for 43% of the total revenue. Operating grants and contributions from local, state and federal sources account for 56% of the total revenue. This is a 54% increase over the prior year and is caused by the American Recovery and Reinvestment Act (ARRA) funding. The significant decrease in Unrestricted Investment Earnings is largely due to the decline in investment interest rates.

The Agency's expenses primarily relate to instructional support services provided to local school districts, which account for 90% of the operating expenses. Instructional support services provided to schools are reported above in the areas of Instruction, Student support services, Instructional staff support services, Printing, delivery and coop services, LEA Part B flow-through and a large portion of the Central and other support services.

The large increase in Printing, delivery and coop services is caused by the outsourcing of the print shop to an outside vendor. The 100% decline in Coop purchasing cost of goods sold is because the coop purchasing program ended in FY 2009. Instruction and the LEA Part B flow-through increased because of additional funds disbursed due to the American Recovery and Reinvestment Act.

Governmental Activities

Revenues for Governmental Activities were \$98,627,387 and expenses were \$94,443,789.

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

As previously noted, Area Education Agency 11 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's Governmental Funds reported combined fund balances of \$9,269,848, which is approximately \$2.8 million more than last year's ending fund balances of \$6,402,455. General Fund revenues increased approximately \$17.5 million, most of which is attributable to American Recovery and Reinvestment Act income. Expenditures increased approximately \$14.4 million largely as a result of Part B funds paid to local schools from the American Recovery and Reinvestment Act funding. Expenditures in the debt service fund increased approximately \$500,000 due to pre-payment of long-term debt on facilities.

**BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

## **HEARTLAND AREA EDUCATION AGENCY 11**

### **Management's Discussion and Analysis For the Year Ended June 30, 2010**

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### Capital Assets

At June 30, 2010, the Agency had invested \$8.4 million, net of accumulated depreciation and related debt in a broad range of capital assets, including land, buildings, computers, equipment, software, and an extensive library/media collection. This is approximately a \$2 million increase. Much of this increase was due to the prepayment of long-term debt on two Agency facilities. In addition the Agency recognized a net amount over \$600,000 of intangible assets during fiscal year 2010 through a prior period adjustment pursuant to GASB Statement 51, Accounting and Financial Reporting of Intangible Assets.

Area Education Agency 11 had depreciation expense of \$975,235 in FY2010 and total accumulated depreciation of \$9,205,206 at June 30, 2010. More detailed information about capital assets is available in Note 3 to the financial statements.

##### Debt Administration

At June 30, 2010 the Agency had \$725,000 in long-term outstanding debt. The long-term debt is for a lease purchase agreement with First National Bank of Ames for a remodel project at the Administrative Center on the Johnston campus.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Although the Iowa and US economies continue struggle, there are signs of improvement. The Iowa legislature fully funded the school foundation aid formula for AEAs for FY2011. However, while there is no known reduction for FY11, there has been legislation introduced that would reduce state funding for FY11 and subsequent years. In addition, the Governor has stated he recommends state aid to schools (AEA's) will remain flat for the next two years. American Recovery and Reinvestment Act (ARRA) funds continue to be available until September 30, 2012.

The Agency entered into a lease purchase agreement in November 2010 for the remodeling of the educational center on the Johnston campus to provide for facility upgrades and additional classroom space. Also, a server bunker was installed adjacent to the Johnston educational center facility to provide better technology security and safety.

#### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer of Area Education Agency 11, 6500 Corporate Drive, Johnston, Iowa 50131.

**HEARTLAND AREA EDUCATION AGENCY 11**

## Statement of Net Assets

June 30, 2010

**ASSETS**

Cash and cash equivalents	\$ 15,745,674
Due from other governments	3,474,954
Other receivables	629
Prepaid expenses	50,745
Capital assets, net of depreciation	<u>9,148,846</u>
<b>Total Assets</b>	<b><u>\$ 28,420,848</u></b>

**LIABILITIES**

Accounts payable and other current liabilities	\$ 8,770,028
Deferred revenues	
Federal	804,714
Miscellaneous	427,412
Non-current liabilities	
Lease purchase	725,000
OPEB liability	<u>62,000</u>
<b>Total Liabilities</b>	<b><u>\$ 10,789,154</u></b>

**NET ASSETS**

Invested in fixed assets	\$ 8,423,846
Restricted for:	
Media materials resource	1,249,314
State teacher quality	59,408
Unrestricted	<u>7,899,126</u>
<b>Total Net Assets</b>	<b><u>\$ 17,631,694</u></b>

See accompanying notes to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**

Exhibit B

Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 6,213,972	\$ 10,972	\$ 5,951,711	-	\$ (251,289)
Student support services	28,156,216	59,516	16,587,131	-	(11,509,569)
Instructional staff support services	22,253,340	1,109,458	9,334,112	-	(11,809,770)
General administration	4,348,260	47,426	453,277	-	(3,847,557)
Regional administration	3,647,746	1,579	34,375	-	(3,611,792)
Business administration	1,012,083	47,610	750,781	-	(213,692)
Central and other support services	3,866,021	202,647	78,851	-	(3,584,523)
Printing, delivery and coop services	1,389,549	313,896	-	-	(1,075,653)
Plant operations and maintenance	1,530,495	9,881	44,319	-	(1,476,295)
Student transportation	2,657	-	2,657	-	-
Community services	222,035	660	221,852	-	477
LEA Part B flowthrough	21,364,943	-	21,364,942	-	(1)
Facilities acquisition	191,709	-	36,645	-	(155,064)
Debt service	89,819	-	-	-	(89,819)
Depreciation - unallocated	154,944	-	-	-	(154,944)
Total Primary Government	<u>\$ 94,443,789</u>	<u>\$ 1,803,645</u>	<u>\$ 54,860,653</u>	<u>\$ -</u>	<u>(37,779,491)</u>
General Revenues					
Property taxes, levied for general purposes					19,345,979
State Aid-formula grants					22,572,522
Unrestricted investment earnings					44,588
Total General Revenues					<u>41,963,089</u>
Change in Net Assets					<u>\$ 4,183,598</u>
Net Assets - Beginning of Year					12,828,473
Prior Period Adjustment for GASB 51					619,623
Net Assets - Beginning of Year, as restated					<u>13,448,096</u>
Net Assets - End of Year					<u>\$ 17,631,694</u>

See accompanying notes to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Balance Sheet - Governmental Funds  
June 30, 2010

Exhibit C

	Non-Major Governmental Funds						
	Special Revenue					Non-Major Funds	
	General	Spec Ed Instructional	Shelter Care	Capital Projects	Debt Service	Sub-Total	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 15,471,291	\$ -	\$ 274,383	\$ -	\$ -	\$ 274,383	\$ 15,745,674
Due from other governments	3,324,324	8,074	142,556	-	-	150,630	3,474,954
Other receivables	629	-	-	-	-	-	629
Prepaid expenses	49,330	-	1,415	-	-	1,415	50,745
<b>Total Assets</b>	<u>\$ 18,845,574</u>	<u>\$ 8,074</u>	<u>\$ 418,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,428</u>	<u>\$ 19,272,002</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts payable and other current liabilities	\$ 8,594,285	\$ -	\$ 167,669	\$ -	\$ -	\$ 167,669	\$ 8,761,954
Excess of warrants issued over bank balance	-	8,074	-	-	-	8,074	8,074
Deferred revenues							
Federal	804,714	-	-	-	-	-	804,714
Miscellaneous	176,727	-	250,685	-	-	250,685	427,412
<b>Total Liabilities</b>	<u>9,575,726</u>	<u>8,074</u>	<u>418,354</u>	<u>-</u>	<u>-</u>	<u>426,428</u>	<u>10,002,154</u>
<b>FUND BALANCE</b>							
Reserved							
Prepaid expenses	49,331	-	-	-	-	-	49,331
Materials resource	1,249,314	-	-	-	-	-	1,249,314
State teacher categorical	59,408	-	-	-	-	-	59,408
Designated							
Encumbrances	13,620	-	-	-	-	-	13,620
Unemployment	33,150	-	-	-	-	-	33,150
Capital needs and repairs	144,532	-	-	-	-	-	144,532
Johnston facility construction	834,345	-	-	-	-	-	834,345
Special projects	901,706	-	-	-	-	-	901,706
Unreserved/undesignated	5,984,442	-	-	-	-	-	5,984,442
<b>Total Fund Balance</b>	<u>9,269,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,269,848</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 18,845,574</u>	<u>\$ 8,074</u>	<u>\$ 418,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,428</u>	<u>\$ 19,272,002</u>

See accompanying notes to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Assets  
 June 30, 2010

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 9,269,848</b>
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Liability for Other Post-Employment Benefits	(62,000)
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Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$18,354,052 less the accumulated depreciation of \$9,205,206 and less the associated long-term debt of \$725,000.

	8,423,846
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<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 17,631,694</u></b>
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See accompanying notes to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2010

Exhibit E

	Non-Major Governmental Funds					Non-Major Funds Sub-Total	Total
	General	Special Revenue Spec Ed Instructional	Shelter Care	Capital Projects	Debt Service		
REVENUES							
Local sources	\$ 21,067,301	\$ 8,074	\$ 5,473	\$ -	\$ -	\$ 13,547	\$ 21,080,848
State sources	25,826,442	-	2,003,597	-	-	2,003,597	27,830,039
Federal sources	49,463,535	-	139,600	-	-	139,600	49,603,135
Total Revenues	96,357,278	8,074	2,148,670	-	-	2,156,744	98,514,022
EXPENDITURES							
Instruction	4,399,820	8,074	1,803,850	-	-	1,811,924	6,211,744
Student support services	28,158,870	-	3,425	-	-	3,425	28,162,295
Instructional staff support services	21,906,829	-	117,594	-	-	117,594	22,024,423
General administration	4,140,578	-	187,563	-	-	187,563	4,328,141
Regional administration	3,622,193	-	-	-	-	-	3,622,193
Business administration	1,009,994	-	2,089	-	-	2,089	1,012,083
Central and other support services	4,111,558	-	-	-	-	-	4,111,558
Printing and delivery	1,389,549	-	-	-	-	-	1,389,549
Plant operations and maintenance	1,524,610	-	33,677	-	-	33,677	1,558,287
Student transportation	291	-	2,365	-	-	2,365	2,656
Community services operations	221,987	-	-	-	-	-	221,987
LEA Part B flowthrough	21,364,943	-	-	-	-	-	21,364,943
Facilities acquisition	-	-	-	228,354	-	228,354	228,354
Debt service	-	-	-	-	1,439,819	1,439,819	1,439,819
Total Expenditures	91,851,222	8,074	2,150,563	228,354	1,439,819	3,826,810	95,678,032
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,506,056	-	(1,893)	(228,354)	(1,439,819)	(1,670,066)	2,835,990
OTHER FINANCING SOURCES (USES)							
Prior year expenditures and revenue	24,896	-	320	-	-	320	25,216
Sale of equipment	6,165	-	22	-	-	22	6,187
Transfers in	4,734	-	6,285	228,354	1,439,819	1,674,458	1,679,192
Transfers out	(1,674,458)	-	(4,734)	-	-	(4,734)	(1,679,192)
Total Financing Sources (Uses)	(1,638,663)	-	1,893	228,354	1,439,819	1,670,066	31,403
Net Change in Fund Balances	2,867,393	-	-	-	-	-	2,867,393
Fund Balances--Beginning	6,402,455	-	-	-	-	-	6,402,455
Fund Balances--Ending	\$ 9,269,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,269,848

See accompanying notes to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Governmental Funds - to the Statement of Activities  
 For the Year Ended June 30, 2010

**Total Net Change in Fund Balances - Government Funds** \$ 2,867,393

Amounts reported for Governmental Activities in the Statement of  
 Activities are different because:

Capital outlays are reported in Governmental Funds as expenditures.  
 However, in the Statement of Activities, the cost of those assets is  
 allocated over their estimated useful life as depreciation expense.  
 This is the amount by which depreciation (\$975,235) exceeded capital  
 outlay (\$907,792) and donation revenue (\$70,648) for free materials. (2,795)

The issuance of long-term debt (lease purchase) provides current  
 financial resources to governmental funds, while the repayment of  
 principal of long-term debt consumes the current financial resources  
 of governmental funds. Neither transaction, however, has any effect  
 on net assets. This amount is the net effect of these differences in  
 the treatment of long-term debt. 1,350,000

Change for the recognition of other post employment benefits (31,000)

**Total Change in Net Assets of Governmental Activities** \$ 4,183,598

See accompanying notes to the financial statements.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 1. Summary of Significant Accounting Policies

Heartland Area Education Agency 11 is an intermediate school corporation between the State Department of Education and the local school districts in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school districts to enable them to operate efficiently and effectively. The Agency serves 54 school districts and 33 non-public schools in an eleven-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Heartland Area Education Agency 11 has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Heartland Area Education Agency 11 has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes, state aid, non-categorical federal funds, and unrestricted interest income are reported as general revenues.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 1. Summary of Significant Accounting Policies (continued)

#### B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for the governmental funds. All of the Agency's individual governmental funds are reported as separate columns in the Fund Financial Statements. Only the General Fund is considered a major fund.

The Agency reports the following major Governmental Fund:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Agency reports the following non-major Governmental Funds:

The Special Revenue, Special Education Instruction Fund is used to account for a program where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Special Revenue, Shelter Care Fund is used to account for instructional programs where the Agency employs teachers to provide instruction to pupils in juvenile shelters and juvenile detention facilities. The actual costs of providing these instructional services are paid by the State of Iowa.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

#### C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### D. Measurement Focus and Basis of Accounting

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 90 days after year end.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 1. Summary of Significant Accounting Policies (continued)

#### D. Measurement Focus and Basis of Accounting (continued)

Intergovernmental revenues (state aid, property tax, shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are recorded as other financing sources.

#### E. Budgets and Budgetary Accounting

The Agency's Board of Directors annually prepares a budget on a basis consistent with generally accepted accounting principles. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Budgetary control is based on total expenditures.

#### F. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - Cash includes amounts in demand deposits, money market funds and certificate of deposits. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are not reported on the financial statements due to immateriality.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the governmental column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of \$3,000 and estimated useful lives in excess of two years.

Capital assets of the Agency are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements	20
Intangibles	5-10
Furniture and equipment	5
Film and book library	10

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 1. Summary of Significant Accounting Policies (continued)

#### F. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable - Payroll and related expenses for staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General and Special Revenue Funds.

Long-term Liabilities - In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Governmental Activities column in the Statement of Net Assets.

Encumbrances - Encumbrances outstanding at year-end represent the amount ultimately estimated to result in expenditures if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Fund Balances - In the Governmental Fund Financial Statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose, pursuant to GASB 54. The portion of the fund balance shown as "Assigned" represents the amount Heartland Area Education Agency 11 has designated for facility and equipment needs and other special purposes.

Restricted Net Assets - In the Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

### 2. Cash and Cash Equivalents

The Agency's deposits in banks at June 30, 2010 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the Agency had investments in the Iowa Schools Joint Investment Trust Government Obligation Portfolio which are valued at an amortized cost of \$1,205,569 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

# HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

## 2. Cash and Cash Equivalents (continued)

The Agency's investments at June 30, 2010 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Iowa Schools Joint Investment Trust	\$ <u>1,205,569</u>	\$ <u>1,205,569</u>

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

Credit risk - The investment in the Iowa School Joint Investment Trust is rated Aaa by Moody's Investors Service.

## 3. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Beginning of Year, as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,136,985	\$ -0-	\$ -0-	\$ 1,136,985
Capital Assets Being Depreciated:				
Buildings	5,762,113	17,853	-0-	5,779,966
Improvements other than buildings	2,095,161	47,755	66,555	2,076,361
Furniture and equipment	3,565,855	366,632	112,025	3,820,462
Intangibles	1,655,909	273,715	-0-	1,929,624
Library/media collection	3,618,743	266,485	274,574	3,610,654
Total Capital Assets Being Depreciated	16,697,781	972,440	453,154	17,217,067
Less Accumulated Depreciation for:				
Buildings	1,182,741	112,024	-0-	1,294,765
Improvements other than buildings	1,410,245	42,920	-0-	1,453,165
Furniture and equipment	2,894,606	287,110	112,025	3,069,691
Intangibles	728,130	172,117	-0-	900,247
Library/media collection	2,400,846	361,065	274,574	2,487,337
Total Accumulated Depreciation	8,616,568	975,236	386,599	9,205,205
Total Capital Assets Being Depreciated, Net	8,081,213	(2,796)	66,555	8,011,862
Governmental Activities Capital Assets, Net	\$ <u>9,218,198</u>	\$ <u>(2,796)</u>	\$ <u>66,555</u>	\$ <u>9,148,847</u>

**HEARTLAND AREA EDUCATION AGENCY 11**

Notes to the Financial Statements  
For the Year Ended June 30, 2010

**3. Capital Assets (continued)**

Depreciation expense was charged to functions of the Agency as follows:

Governmental Activities:	
Instruction	\$ 586
Student support services	26,849
Instructional staff support services	423,287
General administration	17,834
Regional administration	22,736
Business services	328,022
Plant operations and maintenance	977
Unallocated	<u>154,944</u>
Total Governmental Activities Depreciation Expense	<u>\$ 975,235</u>

**4. Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance Ending of Year
Capital leases	\$2,075,000	\$ -0-	\$ 1,350,000	\$ 725,000
Net OPEB liabilities	<u>31,000</u>	<u>31,000</u>	<u>-0-</u>	<u>62,000</u>
Total	<u>\$2,106,000</u>	<u>\$ 31,000</u>	<u>\$ 1,350,000</u>	<u>\$ 787,000</u>

Capital Leases

The Agency entered into an additional lease purchase agreement on August 29, 2008 with First National Bank of Ames for \$1,600,000 to remodel a building at the Johnston campus. During FY2009 the Agency made an additional payment of \$555,000 on this lease purchase agreement. Below is a schedule of minimum capital lease payments required on the lease purchase agreements as of June 30, 2010 for the Johnston campus remodeling project.

Year ended June 30,	Principal	Interest	Total
2011	\$ 160,000	\$ 25,036	\$ 185,036
2012	160,000	24,413	184,413
2013	<u>405,000</u>	<u>17,452</u>	<u>422,452</u>
Total	<u>\$ 725,000</u>	<u>\$ 66,901</u>	<u>\$ 791,901</u>

During FY2008 the Agency entered into a lease purchase agreement for the purchase of a facility in Adel, IA. During FY2010 the Agency paid the balance owed in full on the Adel lease purchase agreement.

**5. Operating Leases**

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2010 and January 31, 2014. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 5. Operating Leases (continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010:

<u>Year Ending June 30,</u>	
2011	\$268,881
2012	55,469
2013	21,098
2014	3,207

Total rental expenditures for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, were \$268,832.

### 6. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by the State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Agency is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 was \$2,518,494, \$2,390,695, and \$2,130,629 respectively, equal to the required contributions for each year.

### 7. Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 590 active and 66 retired members in the plan. Participants must be age 58 years of age or older at retirement and have attained a minimum of 15 years of service. In fiscal year 2012 the age requirement for benefits will be changed to 60.

The medical and prescription drug benefits are through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Cost – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 708,000
Contributions made	( 677,000)
Increase in net OPEB obligation	\$ 31,000
Net OPEB Obligation – Beginning of Year	31,000
Net OPEB Obligation – End of Year	\$ 62,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the Agency contributed \$677,000 to the medical plan. Plan members eligible for benefits contributed \$490,000, or 42% of the premium costs.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$708,000	95.6%	\$62,000

Funding Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation data for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$7,517,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,517,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$37,788,581 and the ratio of the UAAL to covered payroll was 20%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

## HEARTLAND AREA EDUCATION AGENCY 11

Notes to the Financial Statements  
For the Year Ended June 30, 2010

### 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued) - Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$594 per month for retirees of age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 25 years.

### 8. Risk Management

Heartland Area Education Agency 11 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 9. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Beginning net assets and capital assets for governmental activities were restated to retroactively report intangible assets acquired prior to July 1, 2009, as follows:

	Net <u>Assets</u>	Capital <u>Assets</u>
June 30, 2009, as previously reported	\$12,828,473	\$8,529,224
Increase for intangible assets, less accumulated depreciation	<u>619,623</u>	<u>619,623</u>
July 1, 2009, as restated	<u>\$13,448,096</u>	<u>\$9,148,847</u>

### 10. Subsequent Events

Management has reviewed and evaluated material subsequent events from the balance sheet date of June 30, 2010 through the financial statements issue date of January 26, 2011. All appropriate subsequent event disclosures, if any, have been made to the financial statements.

**HEARTLAND AREA EDUCATION AGENCY 11**

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**Required Supplementary Information**

**HEARTLAND AREA EDUCATION AGENCY 11**  
 Required Supplementary Information  
 Budgetary Comparison Schedule - All Governmental Funds  
 For the Year Ended June 30, 2010

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local sources	\$ 20,838,495	\$ 21,006,706	\$ 21,080,848	\$ 74,142
State sources	32,182,612	28,115,096	27,830,039	(285,057)
Federal sources	27,411,789	53,472,455	49,603,135	(3,869,320)
Total Revenues	80,432,896	102,594,257	98,514,022	(4,080,235)
<b>EXPENDITURES</b>				
Instruction	4,065,400	6,164,355	6,211,744	(47,389)
Student support services	28,290,607	32,440,816	28,162,295	4,278,521
Instructional staff support services	23,719,399	26,183,560	22,024,423	4,159,137
General administration	4,764,836	4,289,208	4,328,141	(38,933)
Regional administration	3,906,170	3,748,108	3,622,193	125,915
Business administration	1,001,692	1,048,373	1,012,083	36,290
Central and other support services	4,898,609	4,218,448	4,111,558	106,890
Printing, delivery and coop services	1,320,185	1,466,988	1,389,549	77,439
Plant operations and maintenance	1,900,168	1,634,801	1,558,287	76,514
Student transportation	7,000	7,000	2,656	4,344
Community services operations	187,964	195,469	221,987	(26,518)
LEA Part B flow-through	6,724,466	21,364,943	21,364,943	-
Facilities acquisition	4,000,000	475,000	228,354	246,646
Debt service	346,400	314,819	1,439,819	(1,125,000)
Total Expenditures	85,132,896	103,551,888	95,678,032	7,873,856
Excess (Deficiency) of Revenues Over Expenditures	(4,700,000)	(957,631)	2,835,990	3,793,621
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease purchase proceeds	4,000,000	-	-	-
Prior year expenditures and revenue	-	-	25,216	25,216
Sale of equipment	-	2,906	6,187	3,281
Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)	\$ (700,000)	\$ (954,725)	\$ 2,867,393	\$ 3,822,118

See accompanying independent auditor's report.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Notes to Required Supplementary Information -- Budgetary Reporting  
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2010, the Agency's expenditures/expenses did not exceed the approved budget.

HEARTLAND AREA EDUCATION AGENCY 11  
 Required Supplementary Information  
 Schedule of Funding Progress for the Retiree Health Plan  
 For the Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2008	-	\$ 7,517,000	\$ 7,517,000	0%	\$ 37,788,581	19.89%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

**HEARTLAND AREA EDUCATION AGENCY 11**

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**Other Supplementary Information**

**HEARTLAND AREA EDUCATION AGENCY 11**  
Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Fund Types  
For the Last Four Years

	Modified Accrual Basis			
	For the Years Ending June 30,			
	2010	2009	2008	2007
<b>REVENUES</b>				
Local sources	\$21,080,848	\$20,319,913	\$20,875,387	\$20,666,913
State	27,830,039	30,070,175	27,394,121	23,588,220
Federal	49,603,135	30,605,834	26,593,705	26,089,029
<b>Total Revenues</b>	<b>\$98,514,022</b>	<b>\$80,995,922</b>	<b>\$74,863,213</b>	<b>\$70,344,162</b>
<b>EXPENDITURES</b>				
Instruction	\$ 6,211,744	\$ 3,795,764	\$ 3,437,737	\$ 3,234,831
Student support services	28,162,295	27,261,580	25,536,664	25,109,233
Instructional staff support services	22,024,423	22,199,026	21,316,320	20,413,662
General administration	4,328,141	4,515,569	4,805,438	4,039,805
Regional administration	3,622,193	3,594,192	3,488,662	2,065,367
Business administration	1,012,083	984,004	874,820	718,096
Central and other support services	4,111,558	3,828,268	3,837,598	3,906,732
Printing, delivery and coop services	1,389,549	993,437	1,283,729	1,363,495
Coop purchasing cost of goods sold	-	108,639	1,281,705	1,588,644
Plant operations and maintenance	1,558,287	1,792,551	1,729,306	1,589,617
Student transportation	2,656	1,836	1,651	1,718
Community services operations	221,987	194,700	191,685	166,013
LEA Part B flow-through	21,364,943	10,323,433	6,504,371	6,463,696
Facilities acquisition and construction	228,354	1,833,899	1,473,941	62,197
Debt service	1,439,819	936,584	1,333,791	-
<b>Total Expenditures</b>	<b>\$95,678,032</b>	<b>\$82,363,482</b>	<b>\$77,097,418</b>	<b>\$70,723,106</b>

See accompanying independent auditor's report.

**HEARTLAND AREA EDUCATION AGENCY 11**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

<u>Project Title</u>	<u>Number</u>	<u>Pass Through CFDA Number</u>	<u>Grantor's Expenditures</u>
U.S. Department of Education:			
Passed-through Iowa Department of Education:			
Special Education - Part B			
Early Childhood Education for the Handicapped	84.027	091011	\$ 24,224,149
DE Consultant Agreement 2009-2010	84.027	004410	29,048
Parent Educator Model 2009-2010	84.027	97411	214,220
			* 24,467,417
Special Education - Basic 619			
Preschool 3 thru 5 P.L. 99-457	84.173		* 532,612
Special Education - Part C			
Education of Handicapped Act, Part C	84.181	C-09-11	585,009
Service Coordination Agreement	84.181		3,774
			588,783
Title II			
E2T2, Part D	84.318		14,636
E2T2, Part D	84.318		29,553
E2T2, State-wide	84.318		18,741
			62,930
Title III			
ELL-LEP	84.365		238,650
Career Ladder			
Personnel Development	84.323		83,013
Every Learner Inquires	84.367		4,863
Federal Teacher Quality	84.367		24,705
Title II, Part A	84.367		4,076
Title II, Part A	84.367		7,702
			41,346
Reading First State Grants			
Reading First	84.357		4,855
Reading First	84.357		7,766
			12,621
ARRA – Special Education Grants to States, Recovery Act	84.391		* 22,659,325

See accompanying independent auditor's report.

**HEARTLAND AREA EDUCATION AGENCY 11**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

<u>Project Title</u>	<u>Number</u>	<u>Pass Through CFDA Number</u>	<u>Grantor's Expenditures</u>
U.S. Department of Education (continued):			
Passed-through Iowa Department of Education (continued):			
ARRA – Special Education – Preschool Grants, Recovery Act	84.392	*	\$ 514,498
ARRA – Special Education – Grants for Infants And Families, Recovery Act	84.393	*	<u>176,694</u>
Total Passed-Through Iowa Department of Education			49,377,889
Passed-through Ames Community Schools:			
Title I Neglected and Delinquent 2009-2010	84.010		8,169
Passed-through Des Moines Independent Schools:			
Title I Neglected and Delinquent 2009-2010	84.010		87,717
ARRA –Title I Neglected and Delinquent 2009-2010, Recovery Act	84.389	*	28,581
Des Moines Partnership	84.367		<u>70,571</u>
Total Passed-through Des Moines Independent Schools			186,869
Passed-through Indianola Community Schools:			
Title I Neglected and Delinquent 2009-2010	84.010		1,300
Passed-through Manning Community Schools:			
Title I Neglected and Delinquent 2009-2010	84.010		4,238
ARRA –Title I Neglected and Delinquent 2009-2010, Recovery Act	84.389	*	<u>105</u>
Total Passed-through Manning Community Schools			4,343

See accompanying independent auditor's report.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

<u>Project Title</u>	<u>Number</u>	<u>Pass Through CFDA Number</u>	<u>Grantor's Expenditures</u>
U.S. Department of Education (continued):			
Passed-through Newton Community Schools:			
Title I Neglected and Delinquent 2009-2010	84.010		\$ 8,017
ARRA –Title I Neglected and Delinquent 2009-2010, Recovery Act	84.389	*	<u>1,490</u>
Total Passed-through Newton Community Schools			<u>9,507</u>
Total U.S. Department of Education			\$ <u>49,588,077</u>

\* These programs are considered major programs under provisions of the Single Audit Act Amendment of 1996.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Heartland Area Education Agency 11 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.



**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Directors of  
Heartland Area Education Agency 11

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Heartland Area Education Agency 11 as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Heartland Area Education Agency 11's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Heartland Area Education Agency 11's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We noted no matters involving the internal control over financial reporting and its operations to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no matters involving the internal control over financial reporting and its operations to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Area Education Agency 11's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 26, 2011

*Pittman & Company, LLP*



**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
In Accordance with OMB Circular A-133**

To the Board of Directors of  
Heartland Area Education Agency 11

Compliance

We have audited the compliance of Heartland Area Education Agency 11, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Heartland Area Education Agency 11's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Heartland Area Education Agency 11's management. Our responsibility is to express an opinion on Heartland Area Education Agency 11's compliance, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heartland Area Education Agency 11's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Heartland Area Education Agency 11's compliance with those requirements.

In our opinion, Heartland Area Education Agency 11 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Heartland Area Education Agency 11 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Heartland Area Education Agency 11's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We noted no matters involving the internal control over compliance to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We noted no matters involving the internal control over compliance to be significant deficiencies.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Heartland Area Education Agency 11 and other parties to whom the Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 26, 2011

*Pitman & Company, LLP*

**HEARTLAND AREA EDUCATION AGENCY 11**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.027 – Special Education - Grants to States
  - CFDA Number 84.173 – Special Education – Basic 619
  - CFDA Number 84.391 – ARRA – Special Education Grants to States, Recovery Act
  - CFDA Number 84.392 – ARRA – Special Education Preschool Grants, Recovery Act
  - CFDA Number 84.393 – ARRA – Special Education Grants for Infants and Families, Recovery Act
  - CFDA Number 84.389 – ARRA – Title I Neglected and Delinquent, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$1,487,642.
- (i) Heartland Area Education Agency 11 qualified as a low-risk auditee.

**Part II: Findings Related to the General Purpose Financial Statements:**

No Findings

**Part III: Findings and Questioned Costs for Federal Awards:**

No Findings

**HEARTLAND AREA EDUCATION AGENCY 11**  
Schedule of Findings and Questioned Costs - continued  
For the Year Ended June 30, 2010

**Part IV: Other Findings Related to the Required Statutory Reporting:**

- IV-A-10    Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2010.
- IV-B-10    Budget - Expenditures during the year ended June 30, 2010 did not exceed the amount budgeted.
- IV-C-10    Questionable Expense - We noted no exceptions that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-10    Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-E-10    Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- IV-F-10    Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-10    Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-10    Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- IV-I-10    Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-J-10    Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**HEARTLAND AREA EDUCATION AGENCY 11**  
Summary Schedule of Prior Federal Audit Findings  
For the Year Ended June 30, 2010

<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
III-A-09 – Sub-recipient Monitoring	Corrective action taken.	N/A

## HEARTLAND AREA EDUCATION AGENCY 11

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### STAFF

This audit was performed by:

John Pittman, CPA, Partner

Emily Hager, CPA, Staff Auditor